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HOW MUCH CAN YOU PAY FOR LAND?

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MARCH 1987

SOME APPROACHES

PAY WHAT YOU HAVE TO

PAY WHAT IT IS WORTH

PAY WHAT YOU CAN

ONE OF MOST DIFFICULT INVESTMENT DECISIONS

INFREQUENT PURCHASE

LARGE AMOUNTS OF MONEY

LONG-TERM OBLIGATION

DETERMINANTS OF LAND VALUE

OPPORTUNITY COST OF CAPITAL

LAND PRICES

LAND PRICE INFLATION

LOAN TERMS

GROWTH IN NET INCOME

TIME HORIZON

MARGINAL TAX BRACKET

NET INCOME PER ACRE

INDEX VALUES

YEAR	CPI	OHIO FARMLAND	OHIO NET FARM INCOME	PRODUCTION COSTS
1970	64	36	64	54
1971	67	38	61	56
1972	69	40	77	60
1973	73	46	106	72
1974	81	57	124	81
1975	89	64	117	89
1976	94	77	94	95
1977	100	100	100	100
1978	108	111	103	109
1979	120	135	124	125
1980	136	157	90	139
1981	150	167	29	151
1982	159	148	54	155
1983	164	137	-.01	159
1984	171	131	149	161
1985	177	102	124	157
1986	181	92	125 ^e	151
1987 ^e	186	81	135 ^e	148

^e ESTIMATED

1987 CORN PRODUCTION BUDGETS AND GOVERNMENT PROGRAMS: Conventional tillage and 120 bushel yield. 1/ 2/

DATA USED IN COMPUTATIONS:		Sale Price	Loan Rate	Deficiency Rate		PLD Rate	-----Yields-----			
Price Per Bushel		\$1.50	\$1.82	---	\$1.21	\$2.00	Expected 120			ASCS 3/ 108
MEDIUM YIELDS, CONVENTIONAL			***** ARP ONLY *****				***** BOTH ARP AND PLD *****			
RECEIPTS	Non-Par- ticipant	Corn .8 Acres	ARP .2 Acres	Composite 1 Acre	Per Acre Planted	Corn .65 Acres	ARP .2 Acres	PLD .15 Acre	Composite 1 Acre	
Actual Yield @ Sale Price	\$180.00			\$0					\$0	
Actual Yield @ Loan Rate 4/		\$148		\$148	\$185	\$120			\$120	
ASCS Yield @ Deficiency Rate		\$105		\$105	\$131	\$85			\$85	
ASCS Yield @ PLD Rate				\$0				\$32	\$32	
TOTAL RECEIPTS	\$180	\$252	\$0	\$252	\$315	\$205	\$0	\$32	\$237	
VARIABLE COSTS										
Seed	19	\$15	\$1	\$16	21	\$12	\$1	\$1	\$14	
Fertilizer	39	\$31		\$31	39	\$25			\$25	
Chemicals	\$11	\$9		\$9	\$12	\$7			\$7	
Fuel, oil, grease	\$12	\$10	\$1	\$11	\$13	\$8	\$1	\$1	\$10	
Drying	\$14	\$11		\$11	\$14	\$9			\$9	
Trucking	\$2	\$2		\$2	\$2	\$1			\$1	
Repairs	\$15	\$12		\$12	\$16	\$10			\$10	
Miscellaneous	\$12	\$10		\$10	\$12	\$8			\$8	
Interest on operating capital	\$6	\$5		\$5	\$7	\$4			\$4	
TOTAL VARIABLE COSTS	\$130	\$104	\$2	\$106	\$136	\$85	\$2	\$2	\$89	
FIXED COSTS										
Labor Charge	\$18	\$14	\$4	\$18	\$23	\$12	\$4	\$3	\$18	
Machinery & Equipment Charge	\$50	\$40	\$10	\$50	\$62	\$33	\$10	\$8	\$50	
Land Charge	\$60	\$48	\$12	\$60	\$75	\$39	\$12	\$9	\$60	
Management Charge	\$9	\$13	\$0	\$13	\$16	\$10	\$0	\$2	\$12	
TOTAL FIXED COSTS	\$137	\$115	\$26	\$141	\$175	\$93	\$26	\$21	\$140	
TOTAL COSTS	\$267	\$219	\$28	\$247	\$311	\$178	\$28	\$23	\$229	
RETURN ABOVE VARIABLE COSTS	\$50			\$146	\$180				\$149	
RETURN ABOVE TOTAL COSTS	(\$87)			\$6	\$5				\$9	
COST & RETURN PER BUSHEL PRODUCED										
Var. Cost Per Bushel Produced	\$1.09	Bushels Produced		\$1.11	\$1.13	Bushels Produced			\$1.14	
Total Cost Per Bushel Produced	\$2.23		96	\$2.57	\$2.59		78		\$2.93	
Total Return Per Bu. Produced	\$1.50			\$2.63	\$2.63				\$3.04	

1/ Cash portion of advance deficiency & paid land diversion (PLD) payments subject to \$50,000 limitation.

2/ Half of deficiency and diversion (PLD) payments can be received in advance, at sign up, reducing net cash outflow, reducing interest on operating capital. Half of the advance payment will be commodity certificates and half in

The portion in the form of certificates may result in increased receipts through redemption or sale.

3/ ASCS yields assumed to be 10 percent less than expected yield.

4/ Assumes 9 months storage at \$.28 per bushel and then forfeited to CCC. Net rate received is thus \$1.54 per bushel

D O L L A R S A V A I L A B L E P E R A C R E
T O P A Y L A N D D E B T

ITEM	NEW FARMER	FARMER ADDING LAND	LANDLORD
RECEIPTS	252	252	126
EXPENSES			
VARIABLE	106	106	35
FIXED (EXCEPT LAND)	81	0	0
LAND TAX	10	10	10
CASH AVAILABLE TO SERVICE			
LAND DEBT	55	136	81

BASED ON 1987 COMPOSITE GOVERNMENT PROGRAM CORN BUDGET

LOAN RATE + DEFICIENCY = \$3.03

100% CORN BASE

D E B T S E R V I C E C A P A C I T Y

P E R \$ A V A I L A B L E

INTEREST RATE	LENGTH OF LOAN				INTEREST ONLY
	15	20	25	30	
8	\$8.56	\$9.82	\$10.67	\$11.26	\$12.50
10	7.61	8.51	9.08	9.43	10.00
12	6.81	7.47	7.84	8.06	8.33
14	6.14	6.62	6.87	7.00	7.14
16	5.58	5.93	6.10	6.18	6.25

DEBT SERVICE PER ACRE

TERMS	NEW FARMER	FARMER ADDING LAND	LANDLORD
<u>20 YEAR</u>			
10%	468	1157	689
14%	364	900	536
<u>30 YEAR</u>			
10%	519	1282	764
14%	385	952	567

P R I C E E A C H C A N P A Y

30 YEAR LOAN

10% INTEREST

ITEM	NEW FARMER	FARMER ADDING LAND	LANDLORD
<hr/>			
25% DOWN			
OTHER INCOME/ACRE			
\$ 0	624	1543	918
\$ 50	690	1609	985
50% DOWN			
OTHER INCOME/ACRE			
\$ 0	1038	2564	1528
\$ 50	1138	2664	1628
